Annual Report 2004/2005

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PENSION CORPORATION

BRITISH COLUMBIA

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PENSION CORPORATION

Annual Report 2004/2005

Vision

Your Pension Experience...we make it easy!

- Service You Trust
- Great Value
- People Who Care

Mission

British Columbia Pension Corporation is a non-profit agent of the College, Municipal, Public Service and Teachers' Pension Boards of Trustees and the Workers' Compensation Board of British Columbia providing professional pension administration services to the boards and their members.

Values

- We are friendly, caring and treat everyone with respect
- We are positive and passionate about serving our clients
- We earn trust by acting with openness, personal accountability and integrity
- We work as a team

PENSION CORPORATION

BRITISH COLUMBIA

Annual Report 2004/2005

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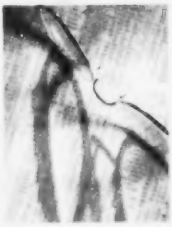

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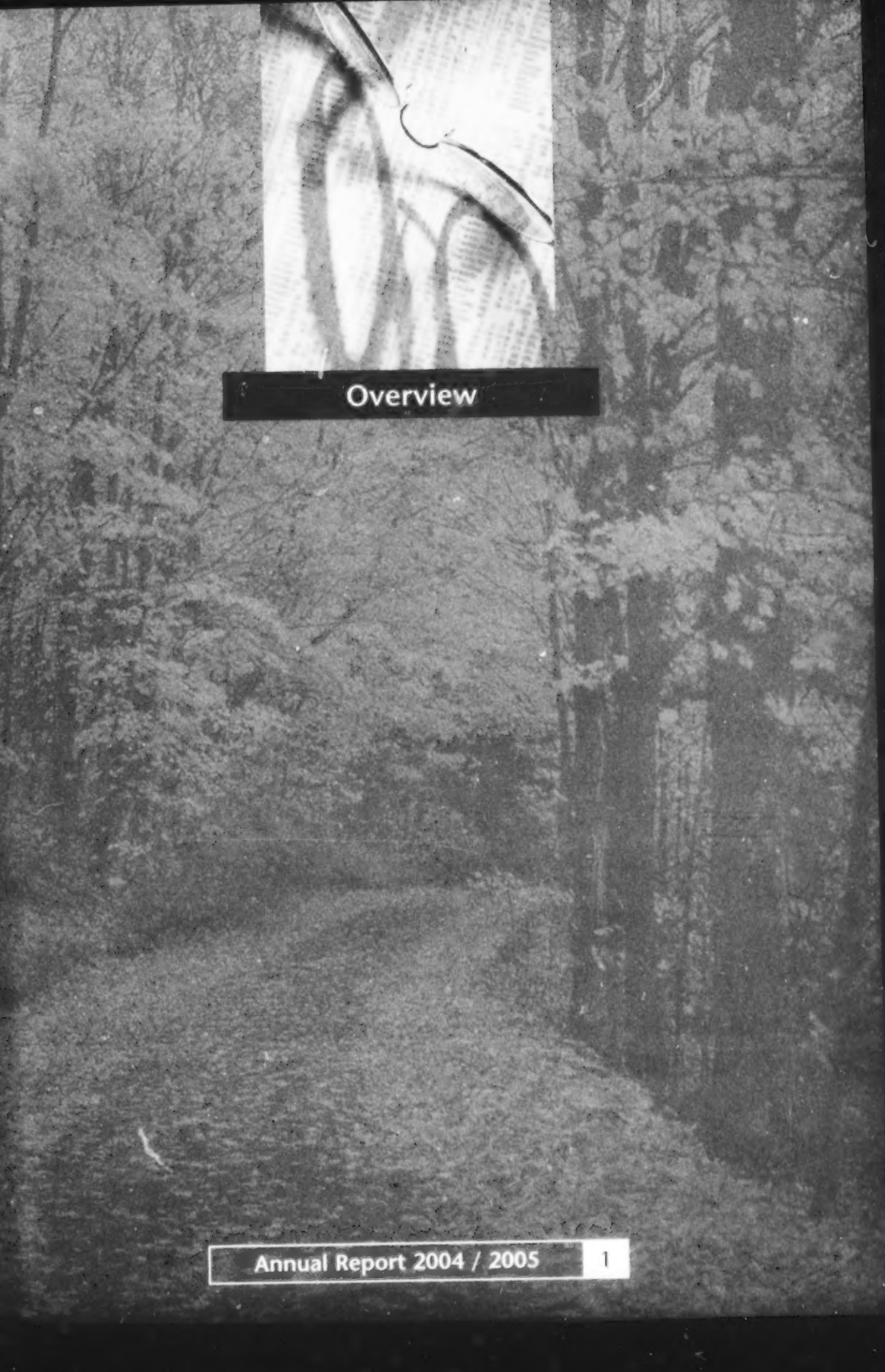
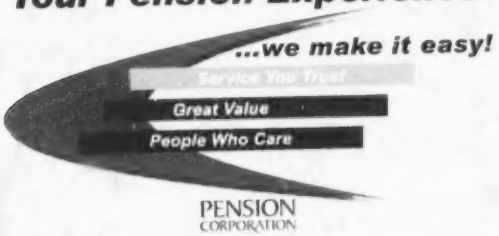


Overview

Your Pension Experience



Our Operating Principles

- Maximize value for money
- Listen to our clients
- Maintain confidentiality
- Promote simplicity
- Look to the future
- Leverage best practices
- Keep our promises

Our People Principles

Create a great place to work

- Provide clarity of direction and roles
- Attract, develop and retain highly capable people
- Embrace change, creativity and learning
- Ensure diversity of people and thought
- Foster safety and health in everything that we do
- Build a high-performance service culture through human resource development

Mandate

THE BRITISH COLUMBIA PENSION CORPORATION was established on April 1, 2000 under the *Public Sector Pension Plans Act*. Located in Victoria, British Columbia, the Pension Corporation is one of the largest pension benefit administrators in Canada. Governed by an eight-member board of directors representing the College, Municipal, Public Service and Teachers' pension plans, the corporation provides comprehensive pension administrative services to BC public sector pension plans.

The corporation acts as the pension benefit administrative agent for the boards of trustees of the four major pension plans as well as to the Workers' Compensation Board Superannuation Plan of British Columbia.

Pension administration includes providing services to:

- enrol plan members and employers,
- communicate benefit entitlements and plan requirements,
- deliver pre-retirement and self-help information programs,
- collect member data for benefit entitlements,
- collect contribution funding,
- calculate and pay pension benefits, including purchases of service and transfers with other pension plans,
- manage group benefit contracts and programs available to retired members,
- provide policy analysis and communications services,
- prepare plan financial and regulatory reporting, and
- provide secretariat support to the boards of trustees.

Chair's Message

John Wilson
Chair

IT IS MY PLEASURE TO PRESENT the fifth annual report of the British Columbia Pension Corporation, on behalf of the Pension Corporation Board of Directors. The Board of Directors represents the College, Municipal, Public Service and Teachers' pension plans.

During the year the corporate board focused on the following governance areas:

developing and approving strategic objectives,
establishing Chief Executive Officer (CEO) objectives,
evaluating CEO performance,
maintaining strong relationships with the plan boards of trustees,
monitoring the ongoing performance of the corporation,
reviewing and approving the Human Resource and Information Technology strategic plans,
approving an employee recognition program,
reviewing the first Integrated Risk Assessment and commissioning an independent audit of the framework, and
sponsoring three staff recognition events to thank employees for their contributions to the corporation's success.

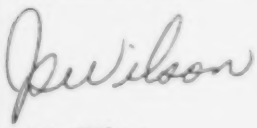
Our *Corporate Strategic Delivery Plan*, available on our website, establishes a clear focus on what we intend to accomplish and how we will reach our objectives.

It has been a busy year for the Pension Corporation. Employees of the corporation have worked hard to make this a year for celebrating remarkable success. It was our pleasure as board members to thank and congratulate staff personally on their outstanding achievements over the past year. We are confident staff will continue to deliver high standards of excellence in client service. During the year the corporation:

received the Premier's Award for Service Excellence,
received high marks for service in surveys and focus groups from our active and retired members, and employers,
achieved savings and reduced the projected per member costs,
met, or exceeded, our improved service performance targets in all plans, for most key transactions, and
absorbed significant unexpected increases in demand for purchases of service.

As we enter our sixth year as a corporation, we expect continued improvements in service excellence, built on the solid foundation established in the first five years. Gail Stephens, Chief Executive Officer, and her executive team continue to be innovative and forward thinking, and up to meeting the challenging objectives we have established. The corporation's goal to be the best pension administrator in Canada clearly resonates with staff. The board thanks the CEO and the staff for their dedication, enthusiasm and contributions. The pension plans, their members, employers, sponsors and partners have all benefited from their hard work.

It has been a great honour and a pleasure to have occupied both the Chair and Vice Chair positions on the Pension Corporation Board of Directors since our establishment. I will be leaving the board in the coming year and I know the Pension Corporation will be in great hands.



John Wilson
Chair, Board of Directors
March 31, 2005

Board Members *as at March 31, 2005*

John Wilson
Chair

Richard Taylor
Vice Chair

Bruce Clow

Wayne Jefferson

Gary Johnson

Dale Lauber

Cliff Neufeld

Diane Wood

Chief Executive Officer's Message

Gail Stephens
Chief Executive Officer

THE BC PENSION CORPORATION is one of the largest pension benefits administrators in Canada—and this year we were recognized as one of the best.

We set ambitious targets for service improvements and we met or exceeded those expectations. It was truly a cooperative effort with staff, executive and board members working together towards a vision of quality client service.

In November 2004 we received the Premier's Award for Service Excellence, which recognizes innovation, outstanding achievement and significant improvement in providing services to the public.

The Pension Corporation is committed to delivering quality service to our clients. Our principles define what we mean by quality service—value for money, simplicity for clients, dedication to best practices, and listening to clients. We strive to make every plan member's pension experience easy by providing a high standard of service in an environment based on trust and confidence. Our employees continue to demonstrate outstanding levels of performance.

Our passion for service is reflected in our clients' responses to our services. Our quality of service was validated by active members, with survey results of 85% satisfied or very satisfied, and by employers with 93% respectively. In a survey of recently retired members, 95% were satisfied or very satisfied with the services they received from the corporation, an improvement over the previous year. In our survey of long-term retirees, satisfaction rates with our service reached 90%. We are proud of these measures and will strive to maintain our high standard of performance.

In the past year, we faced many challenges and made great progress. We reduced costs, enhanced web-based information, simplified the retirement process, produced plain language pension information materials, and improved financial and performance reporting. We practiced comprehensive business planning and transparent reporting of results against targets. We benchmarked our performance against industry best practices.

Over the past year, I experienced the corporation's business first-hand, sitting with different units and pension plan staff to see how work was done on the front lines. I answered phones in Pension Services, calculated pension estimates, sat in on communications planning, handled financial spreadsheets and experienced for myself

the joys and challenges of serving our clients. This is a hard-working and resourceful group of professionals who care about the people they serve. It is a privilege to work alongside them and I thank them for their hard work in meeting the many challenges of the past year. I am confident they will continue to deliver what is needed to meet the corporation's goals and objectives.

I acknowledge the support and encouragement of the plan trustees, my executive colleagues, and the corporate board for the opportunity of working with you as Chief Executive Officer. My second year has been very rewarding, and I'm looking forward to pursuing the goals and innovations that lay ahead.

The BC Pension Corporation is an efficient and accessible agency that puts service first. In our next year we will continue that level of service excellence and aim to exceed our own expectations.

Gail Stephens
Chief Executive Officer
March 31, 2005

Executive

Gail Stephens
Chief Executive Officer

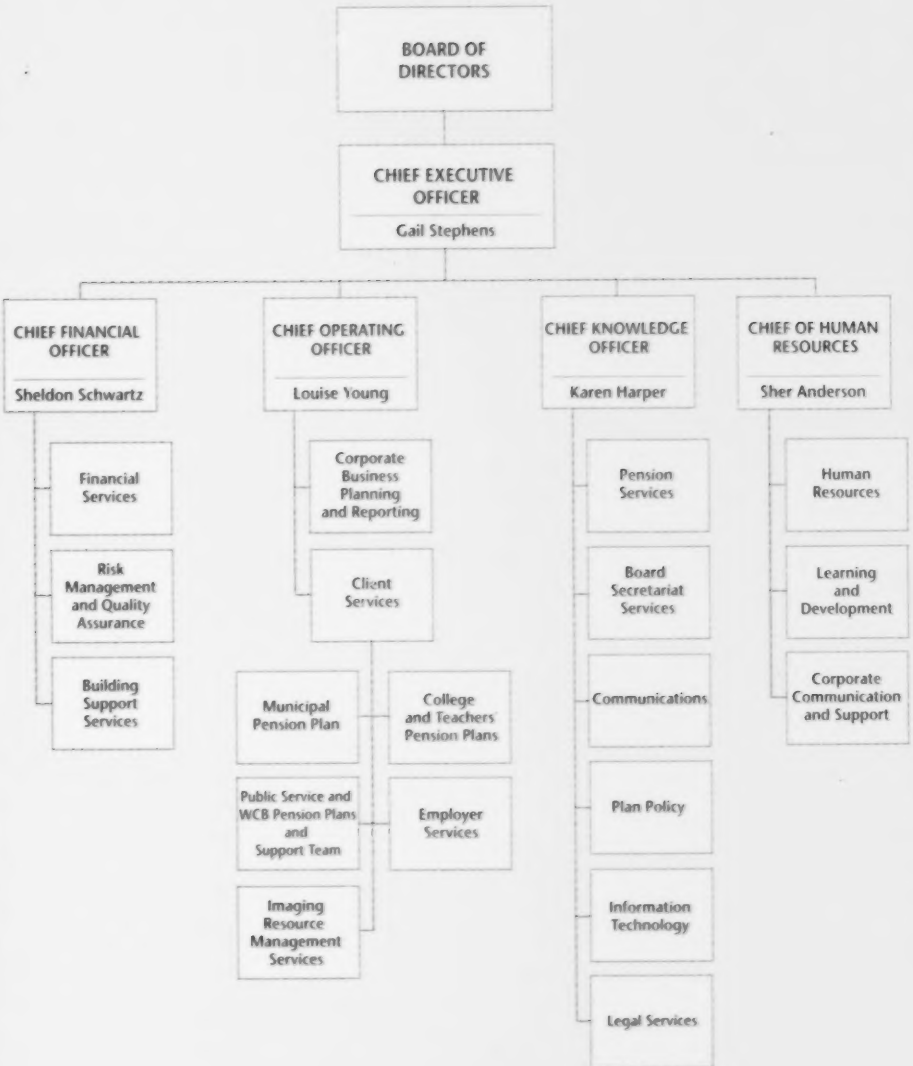
Sher Anderson
Chief of Human Resources

Karen Harper
Chief Knowledge Officer

Sheldon Schwartz
Chief Financial Officer

Louise Young
Chief Operating Officer

Organizational Structure



Business Profile

THE PENSION CORPORATION interacts with a number of different groups. This diagram shows the type of interaction and in what capacity.

Management Discussion and Analysis

Corporate Vision and Accomplishments

THIS YEAR THE CORPORATION REACHED its fifth anniversary, and we now serve over 100,000 retired members. Along the way, we faced many challenges and achieved many successes. Together, management and employees of the BC Pension Corporation were successful in decreasing costs, increasing productivity, and providing services that put our clients first by making their pension experience easy. As a result, we were recognized for all of our hard work by winning the Premier's Award for Service Excellence.

The following accomplishments demonstrate how we are striving to reach our corporate vision:

Your Pension Experience...we make it easy!
Service you trust.
Great value.
People who care.

We Make it Easy

Continuing major service simplification projects—We are dedicated to making processes more simple and efficient for employers and members. We are also developing new web-based, self-service options that will provide clients with access to accurate, timely information when they need it.

Developing new service delivery methods—The use of technology has allowed the corporation to improve access to services while reducing costs, time and effort expended by our clients and our employees. For example, we piloted a service to allow employers to submit their pension plan remittances electronically, which reduced their time and effort.

Service You Trust

Exceeding client satisfaction targets—We exceeded satisfaction targets for all client groups.

Surpassing trustee satisfaction targets—The average satisfaction of trustees for all plans is 95%, exceeding our target of 90% satisfied or very satisfied.

Implementing the Plan Identity Project—We continued to focus on the unique identity of each pension plan by integrating new logos, colours and customized plan products. In addition, we developed and launched a new pension website tailored to the specific needs of our Workers' Compensation Board clients.

Meeting or exceeding performance targets—Our corporation met, or exceeded, 2004/05 improved service performance targets in all pension plans, for almost all key transactions, including some where demand was significantly higher than forecast.

Great Value

Achieving cost savings—We achieved savings of $4.15 million against our 2004/05 budget. As a result, the overall cost per member across all plans was $101, which is significantly lower than the $114 cost per member target.

Participating in benchmarking—Benchmarking results for 2003/04 indicate that our cost per member is below the Canadian average and comparable to our international peers. We expect that cost reductions and service improvements in 2004/05 and beyond should further improve our peer group comparisons.

Integrating risk management into the corporation's operations—The corporation successfully concluded the first year of the Integrated Risk Management Program by completing our first risk assessment, and integrating risk into strategic planning.

People Who Care

Delivering exceptional service workshops—A series of workshops were held to help identify how staff can apply personal excellence in the services they provide to our clients.

Integrating change management—The corporation is committed to involving employees in all stages of initiatives that could impact the work they perform.

Listening to our employees—An action plan, developed in response to the 2003/04 employee survey, concentrates on four key themes:

- more opportunities for growth and development,
- improved management of change,
- more effective and timely communications, and
- improved feedback on staff performance and increased recognition for work well done.

Corporate Vision and Accomplishments *continued*

Providing career development opportunities for employees—The corporation offered pension, client service, change management and leadership training to employees. As well, new Assistant Director positions were created and filled by staff members through succession planning efforts.

Recognizing staff—The corporation hosted a number of recognition events to thank staff for their contributions and achievements.

Giving to our community—Employees at the corporation raised almost $40,000 for various charities.

Performance Measures and Targets

THE CORPORATION USES A SERIES OF INDICATORS to compare service levels to service targets. These indicators measure:

- the overall quality of service,
- the timeliness of the corporation's response to key service requests, and
- cost-effectiveness.

The corporation was very successful in meeting these measures and targets in 2004/05.

Quality

The corporation surveyed our client groups to determine their level of satisfaction, with very positive results. We exceeded our satisfaction targets, as well as maintaining or improving most satisfaction levels compared to the previous year.

Percentage of clients who are "very satisfied" or "satisfied"

		2004/05 TARGET	2004/05 RESULT
Quality	Active plan members	70%	85%
	Recently retired members	85%	95%
	Retired members (longer-term)	80%	90%
	Plan employers	90%	93%

Performance Measures and Targets continued

Timeliness

While responding to significant increases in demand, the corporation met, or exceeded, 2004/05 service performance targets in all plans for most key transactions.

	MEASURE	2004/05 TARGET	2004/05 RESULT
Timeliness	The percentage of final pension options provided within 30 calendar days of receiving a member's request.	85%	95%
	The percentage of first pension payments paid on time.	98%	99%
	The percentage of monthly pensions paid on time.	100%	100%
	The percentage of termination information letters provided to members within two days of receiving a notice of termination.	95%	96%
	The percentage of termination benefit options provided to members within 28 days of receiving an application.	95%	95%
	The percentage of purchase of service estimates provided to members within 30 days of receiving a request.	75%	93%
	The percentage of written inquiries responded to within 21 days.	95%	94%

Cost-effectiveness

The corporation reduced costs and increased productivity, exceeding performance targets for the year.

Cost-effectiveness

	2004/05 TARGET	RESULT
Key transactions completed per Client Services staff.	262	327
Cost per key transaction.	$640	$513
Cost per member.	$114	$101

Business Activity

OVER THE NEXT FEW YEARS, the corporation anticipates that service demand will continue to rise as a result of a number of key factors, including:

- an aging population that is living longer,
- a rising percentage of knowledgeable members who plan for retirement at an earlier age, and who expect both faster service and self-service options,
- enhanced self-service functionality and a broader range of services offered to employers,
- an expected 8% annual increase in the number of retired members, and
- purchase of service deadlines for members of the four major pension plans.

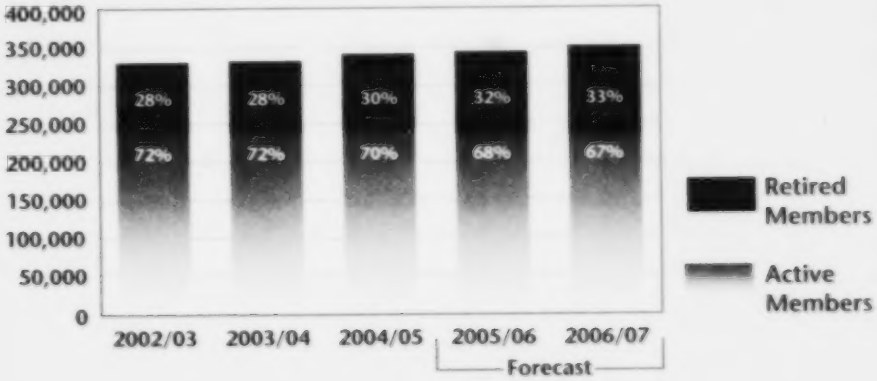
Specific Demand Trends

In the 2004/05 period, overall demand for key service transactions rose to over 64,000 requests (for details refer to the graph "Key Service Requests and Future Demand Profile"). This represents an 11% increase over the previous year, including:

- new pensions granted grew by 5%, and
- purchase of service requests were 13% higher than expected.

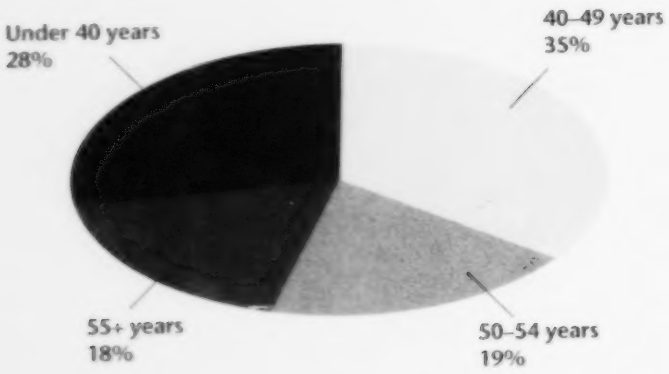
The following graphs illustrate the demographics and service demand details outlined above.

Member Base

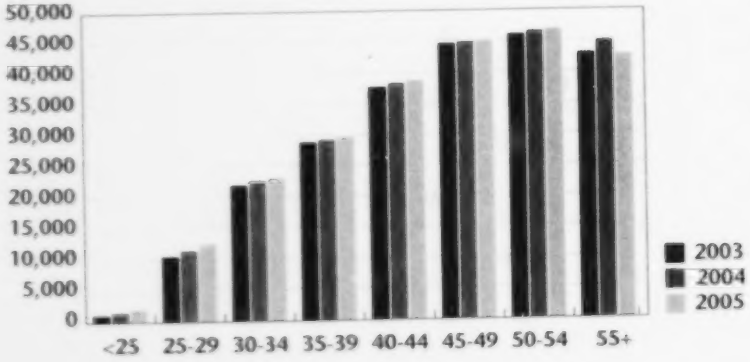


Age Profile of Active Members

as at March 31, 2005

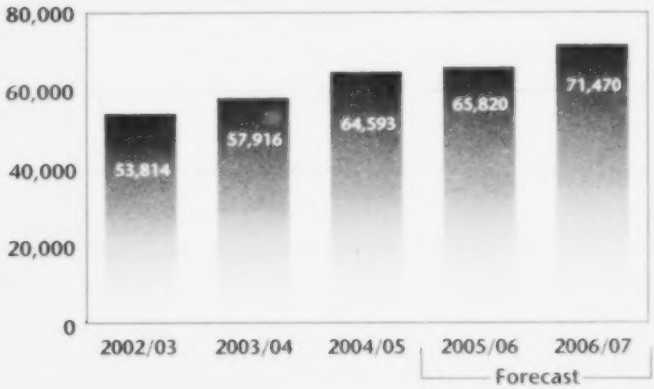


Increasing Age Profile of Active Contributors



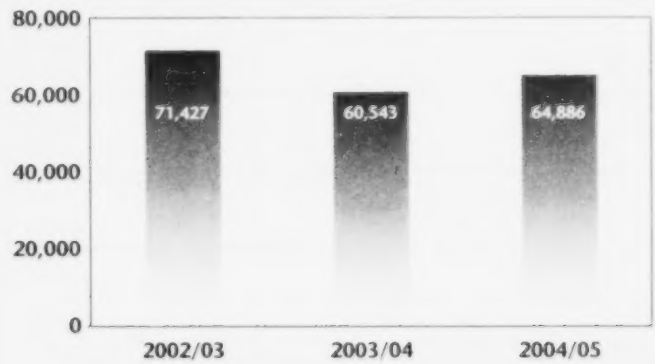
Business Activity *continued*

Key Service Requests and Future Demand Profile*



* **Key service requests** include pension options, new pensions, terminations, interplan and reciprocal transfers, and purchase of service estimates of all kinds.

Completed Key Service Requests



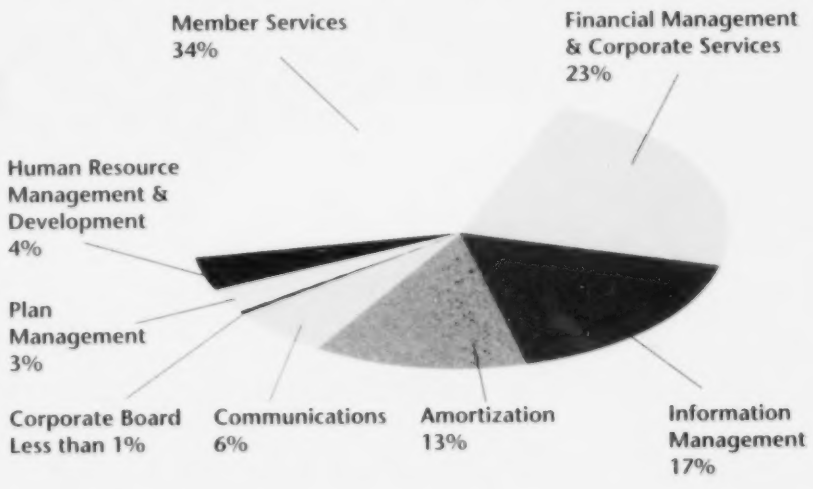
Note: 2002/03 completed service requests included clearance of backlogs.

Finances

THE CORPORATION OPERATES on a cost-recovery basis, with recovery of costs from the pension plan trust funds that it serves. As part of the corporation's service delivery planning and budget development process, each pension board of trustees approves its share of relevant costs. The pension funds pay for operating expenses, in addition to funding the corporation's capital asset expenditures.

The corporation spent $35.3 million for operating expenses in 2004/05. Approximately one-third ($11.9 million) of operating expenses was for direct services to members and employers. Total operating expenses were approximately 9% under budget.

Operating Expenses



Corporate Financial Statements

PENSION
CORPORATION

Executive
Offices

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Location:
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250 953-0429

PREMIER'S AWARD
SERVICE EXCELLENCE 2004

BRITISH COLUMBIA PENSION CORPORATION

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements and information in the Annual Report are the responsibility of management of the British Columbia Pension Corporation (corporation) and have been approved by management and the Board of Directors (board).

Management is responsible for the integrity and fairness of the data presented, including significant accounting judgments and estimates. This responsibility includes selecting appropriate accounting policies consistent with generally accepted accounting principles in Canada. Other financial information contained in the Annual Report conforms to these financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains the internal controls necessary to provide reasonable assurance that relevant and reliable financial information is produced and that assets are properly safeguarded. The board, primarily through its Audit Committee (committee), is responsible for ensuring that management fulfills this responsibility. The committee reviews the financial statements and recommends them to the board for approval. The committee meets with management and external auditors to discuss internal controls, auditing matters and financial reporting issues.

The firm of KPMG LLP has been appointed the independent auditor of the corporation by the board. The role of the auditor is to perform an independent audit of the financial statements of the corporation in accordance with generally accepted auditing standards in Canada. The resulting audit opinion is set out in the Auditors' Report attached to these financial statements.

SHELDON SCHWARTZ, C.F.A.
Chief Financial Officer
British Columbia Pension Corporation

S Lenz

SANDRA LENZ, C.A.
Director, Finance
British Columbia Pension Corporation

May 25, 2005

KPMG LLP
Chartered Accountants
St. Andrew's Square II
800 - 730 View Street
Victoria BC V8W 3Y7

Telephone (250) 480-3500
Fax (250) 480-3539
Internet www.kpmg.ca

AUDITORS' REPORT

To the Members of the Pension Management Board
of the British Columbia Pension Corporation

We have audited the balance sheet of the British Columbia Pension Corporation as at March 31, 2005 and the statements of revenue and expenses and cash flow for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Victoria, Canada

May 25, 2005

KPMG LLP, a Canadian limited liability partnership, is the Canadian member firm of KPMG International, a Swiss cooperative.

Corporate Financial Statements

BRITISH COLUMBIA PENSION CORPORATION
BALANCE SHEET
($ Thousands)

March 31	2005	2004
Assets		
Current:		
Cash and Short-term Investments (Note 4)	$ 581	$ 198
Due from Pension Plans (Note 5)	5,250	5,880
Accounts Receivable	369	380
Prepaid Expenses	638	484
	6,838	6,942
Computer Systems and Other Assets (Note 6)	16,333	18,291
Total Assets	$ 23,171	$ 25,233
Liabilities and Shareholder's Equity		
Liabilities		
Current:		
Accounts Payable	$ 1,511	$ 1,606
Accrued Salaries and Benefits (Note 7)	5,327	5,336
	6,838	6,942
Long term:		
Deferred Capital Funding (Note 8)	16,333	18,291
	23,171	25,233
Shareholder's Equity		
Share Capital (Note 2)	-	-
Total Liabilities and Shareholder's Equity	$ 23,171	$ 25,233

All accompanying notes are an integral part of these financial statements including:

- Commitments (Note 14)

John Wilson, Chair
British Columbia Pension Corporation
Board of Directors

Richard Taylor, Vice Chair
British Columbia Pension Corporation
Board of Directors

BRITISH COLUMBIA PENSION CORPORATION
STATEMENT OF REVENUE AND EXPENSES
($ Thousands)

For the year ended March 31	2005	2004
Revenue		
Service Revenue (Note 9)	$ 35,185	$ 36,346
Investment and Miscellaneous Income	105	122
Gain (Loss) on Disposal of Computer Systems and Other Assets	(8)	10
Revenue before Recovery of Pension Plan Boards' Secretariat Support	35,282	36,478
Recovery of Pension Plan Boards' Secretariat Support (Note 10)	701	-
Total Revenue	35,983	36,478
Expenses (Note 11)		
Member Services	$ 11,891	$ 12,336
Communications	1,980	1,953
Plan Management	1,206	1,146
Human Resource Management & Development	1,540	2,109
Information Management	6,126	6,204
Financial Management & Corporate Services	8,084	7,904
Corporate Board	66	69
Amortization	4,389	4,180
Operating Expenses	35,282	35,901
Pension Plan Boards' Secretariat Support (Note 10)	701	577
Total Expenses	35,983	36,478
	$ -	$ -

BRITISH COLUMBIA PENSION CORPORATION
STATEMENT OF CASH FLOW
($ Thousands)

For the year ended March 31	2005	2004
Cash Flow from Operating Activities		
Operating Funding Received from the Pension Plans	$ 32,119	$ 33,633
Cash Paid to Suppliers and Employees	(31,841)	(34,098)
Investment and Miscellaneous Income Received	105	122
Total Operating Activities	383	(343)
Cash Flow from Investing Activities		
Purchase of Computer Systems and Other Assets	(2,441)	(2,914)
Proceeds from Sale of Computer Systems and Other Assets	2	10
Total Investing Activities	(2,439)	(2,904)
Cash Flow from Financing Activities		
Capital Funding Received from the Pension Plans	2,439	2,904
Total Financing Activities	2,439	2,904
Increase (Decrease) for the Year	383	(343)
Cash and Short-term Investments at Beginning of Year	198	541
Cash and Short-term Investments at End of Year	$ 581	$ 198

BRITISH COLUMBIA PENSION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2005

1. AUTHORITY

The British Columbia Pension Corporation (corporation) was established as a corporation on April 1, 2000, under section 5 of the *Public Sector Pension Plans Act, S.B.C. 1999 C 44* (the act). The act describes the composition, appointment, powers, functions and duties of the Board of Directors (board) for the corporation.

2. NATURE OF OPERATIONS

The corporation provides benefit administration services as agent for the boards of trustees responsible for the College, Municipal, Public Service and Teachers' pension plans. It may also provide services to other British Columbia public sector pension clients. The corporation's board consists of eight (8) directors, two (2) directors from each of the four boards of trustees above. The chair and vice chair of the board are elected by the directors.

Benefit administration services provided by the corporation include collecting and recording contributions, calculating and paying benefits, communicating to employers and plan members, pension plan board support services and other services specifically approved by the individual boards of trustees. These administrative services are provided pursuant to service agreements with each plan through to November 1, 2006.

The corporation charges each pension plan with its respective share of the corporation's operating expenses, and computer systems and other asset purchases, less investment and miscellaneous income and amortization. The issued share ($10 par value) of the corporation is held by the Province of British Columbia, and accordingly the corporation is exempt from income taxes.

The corporation pays goods and services tax (GST) on applicable purchases and recovers those costs fully, through input tax credits.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Presentation

These financial statements are prepared on an accrual basis, in accordance with Canadian generally accepted accounting principles.

Certain comparative figures have been reclassified to conform to the current year's presentation.

BRITISH COLUMBIA PENSION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2005

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b) Computer Systems and Other Assets

Computer systems and other assets are recorded at cost and amortized on a straight-line basis over their estimated useful lives as follows:

Major Business Application Software	5 to 10 years
Other Computer Equipment and Software	3 to 5 years
Furniture	10 years
Tenant Improvements	10 years

Major business application software under development is not amortized until completion and implementation.

The corporation monitors computer systems and other assets for changes in circumstances that indicate assets may be impaired if their service value to the corporation has declined. If such circumstances occur, the excess of the net book value over any residual value will be recognized as an expense in the statement of revenues and expenses.

c) Revenue Recognition

Cash funding is received in advance from the pension plans that receive services from the corporation. Service revenue is recorded as operating expenses are incurred and as assets are amortized. Deferred capital funding which relates to funding advances for computer systems and other assets is recognized on the same basis as the related assets are amortized. Investment income is recorded on an accrual basis.

d) Foreign Currency Translation

Transactions denominated in foreign currencies are recorded in Canadian dollars at exchange rates in effect at the related transaction date. Monetary assets and liabilities denominated in foreign currencies are adjusted to reflect year-end exchange rates at the balance sheet date. Any resulting exchange gains and losses are included in the determination of income.

e) Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts on the Balance Sheet and Statement of Revenues and Expenses at the date on the financial statements. Actual results could differ from these estimates. The significant area requiring the use of management estimates relates to the estimated useful lives of computer systems and other assets.

4. CASH AND SHORT-TERM INVESTMENTS

Short-term investments consist of direct ownership in units of pooled investment portfolios, managed by the British Columbia Investment Management Corporation. Each unit gives its holder a proportionate share in the net assets of the pooled investment portfolio. The pooled investment portfolios consist of Canadian money market securities such as financial and corporate commercial paper, with terms of 15 months or less. These investments are recorded at cost, which approximates fair value.

	($ Thousands)	
	2005	**2004**
Cash	$ 262	$ 182
Short-term Investments	319	16
	$ 581	$ 198

5. DUE FROM PENSION PLANS

Due from pension plans represents total charges to pension plans less operating and capital funding received as follows:

	($ Thousands)	
	2005	**2004**
Beginning Balance, Due from Pension Plans	$ 5,880	$ 7,337
Total Charges to Pension Plans	33,173	35,080
Pension Plan Boards' Secretariat Support:		
Expenses	701	-
Purchase of Computer Systems and Other Assets (Municipal Pension Plan)	54	-
Operating Funding Received	(32,119)	(33,633)
Capital Funding Received	(2,439)	(2,904)
Ending Balance, Due from Pension Plans	$ 5,250	$5,880

BRITISH COLUMBIA PENSION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2005

6. COMPUTER SYSTEMS AND OTHER ASSETS

($ Thousands)

	2005			2004
	Cost	Accumulated Amortization	Net Book Value	
Major Business Application Software	$ 25,781	$ 11,813	$ 11,968	$13,106
Other Computer Equipment and Software	13,732	11,106	2,626	3,211
Furniture	2,979	1,982	997	1,197
Tenant Improvements	1,043	301	742	777
	$ 41,535	$ 25,202	$ 16,333	$18,291

Other computer equipment and software includes a $52,705 capital lease amortized over the three year term of the lease. The balance of the lease obligation, which is included in Accounts Payable, is $15,138 as at March 31, 2005, with payments ending in June 2006.

7. ACCRUED SALARIES AND BENEFITS

($ Thousands)

	2005	2004
Accrued Salaries and Benefits	$ 4,517	$ 4,313
Leave Liability	810	941
Early Retirement Incentive Program	-	82
	$ 5,327	$ 5,336

8. DEFERRED CAPITAL FUNDING

	($ Thousands)	
	2005	**2004**
Opening Balance, Deferred Capital Funding	$18,291	$19,557
Capital Funding Received	2,439	2,904
Capital Funding Recognized as Service Revenue:		
Amortization	(4,389)	(4,180)
Gain (Loss) on Disposal of Computer Systems and Other Assets	(8)	10
Ending Balance, Deferred Capital Funding	$16,333	$18,291

During the next fiscal year, approximately $4.4 million of deferred capital funding will be recognized as service revenue.

BRITISH COLUMBIA PENSION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2005

9. SERVICE REVENUE

The corporation's service revenue consists of charges to the pension plans for the corporation's operating expenses, and computer systems and other asset purchases, less capital funding received, plus capital funding recognized as service revenue:

	($ Thousands)	
	2005	**2004**
Total Charges to Pension Plans	$ 33,173	$ 35,080
Capital Funding Received	(2,439)	(2,904)
Pension Plan Boards' Secretariat Purchase of Computer Systems and Other Assets (Municipal Pension Plan)	54	-
Capital Funding Recognized as Service Revenue:		
Amortization	4,389	4,180
(Gain) Loss on Disposal of Computer Systems and Other Assets	8	(10)
Service Revenue	$ 35,185	$ 36,346
Total Charges to Pension Plans were:		
Municipal Pension Plan	$ 16,431	$ 17,302
Public Service Pension Plan	8,132	8,977
Teachers' Pension Plan	6,918	7,173
College Pension Plan	1,319	1,321
Other Plans	373	307
Total Charges to Pension Plans	$ 33,173	$ 35,080

10. PENSION PLAN BOARDS' SECRETARIAT SUPPORT

In prior years, pension plan board secretariat support expenses were part of the corporation's budget and were recovered through service revenue. Pension plan boards now directly approve pension plan board secretariat support budgets, and the corporation directly recovers these expenses from the pension plans. These expenses are as follows:

	($ Thousands)	
	2005	**2004**
Salaries & Benefits	$ 482	$ 430
Office Expenses	118	58
Building Rent & Maintenance	88	70
Other	13	19
	$ 701	$ 577
Pension Plan Boards' Secretariat Support recovered from:		
Municipal Pension Plan	$ 272	$ 291
Public Service Pension Plan	143	146
Teachers' Pension Plan	142	120
College Pension Plan	144	20
	$ 701	$ 577

BRITISH COLUMBIA PENSION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2005

11. EXPENSES

Expenses by service area are presented in the statement of revenue and expenses and are defined as follows:

Member Services includes direct member pre-retirement benefit services, retired member benefit services, employer data services, and imaging and reception services.

Communications includes development and production of communications products, and pre-retirement information seminars.

Plan Management represents plan policy support.

Human Resource Management and Development includes general human resource management functions and training and development.

Information Management includes strategic technology project management, ongoing information system support and system testing.

Financial Management and Corporate Services includes financial management, risk management, business planning and analysis, facilities, and rent and other support services (including executive offices).

Corporate Board includes corporate board member fees, travel and other expenses.

Expenses by type are as follows:

	($ Thousands)	
	2005	**2004**
Salaries & Benefits	$ 21,973	$ 22,528
Amortization	4,389	4,180
Systems Support & Telephones	2,965	3,271
Building Rent & Maintenance	2,114	1,985
Legal, Actuarial & Other Professional Services	1,321	934
Office Expenses	1,009	1,210
Training	442	304
Insurance	395	295
Publications	215	277
Bank Charges	181	170
Travel	152	173
Corporate Board	66	69
Regulatory Fees	60	91
Early Retirement Incentive Program	–	414
Operating Expenses	$ 35,282	$ 35,901

12. EMPLOYEES' PENSION PLAN AND RETIREMENT BENEFITS

In accordance with the *Public Sector Pension Plans Act, S.B.C. 1999 c44*, the corporation and its employees contribute to the Public Service Pension Plan (plan), a jointly trusteed pension plan. The plan is a multi-employer contributory defined benefit pension plan. The corporation administers the plan, including the payment of pension benefits, on behalf of the employers and the employees to whom the act applies. As at March 31, 2005, the corporation has approximately 400 employees contributing to the plan which has approximately 51,000 active plan members and 30,000 retired plan members.

Employer contributions to the plan are included in salaries and benefits and represent the amount of pension expense for the year. For the year ended March 31, 2005, employees contributed 5.5% of salary up to the Canada Pension Plan's Year's Maximum Pensionable Earnings (YMPE) and 7% for salaries above that. The corporation contributed 6.75% (2004: 6.5%) of salary up to the YMPE and 8.25% (2004: 8%) for salaries above that. Employee and corporation contributions include 1.25% and 2.5% (2004: 2.25%) of salaries respectively, to fund contingent benefits such as future pension indexing and retired member group benefits that are subject to the availability of specified funding arrangements. Effective April 1, 2005, the employee contribution rate will increase by 0.25%, to 1.50% of salaries, to fund these contingent benefits. The corporation, as employer, will pay the 0.25% employee contribution rate increase in 2005/06.

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The latest valuation as at March 31, 2002 indicated a $546 million surplus for basic pension benefits. The next valuation will be as at March 31, 2005 with results available in 2006. The actuary does not attribute portions of the surplus to individual employers. The corporation paid $1.3 million for employer contributions to the plan in 2005. Employees are also entitled to specific retirement benefits as provided for under collective agreements and terms of employment. The cost of these future benefits is included in salaries and benefits expense.

BRITISH COLUMBIA PENSION CORPORATION
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2005

13. RELATED PARTY TRANSACTIONS

The College, Municipal, Public Service and Teachers' pension plans are related parties to the corporation. The pension plan boards appoint members to the corporate board, and the corporation provides services to the pension plans. Please see Notes 2, 9, 10 and 11. These transactions are in the normal course of operations and consist of the recovery of the corporation's operating expenses, and computer systems and other asset purchases.

As a Crown corporation, the corporation engages in transactions with the Province of British Columbia. These transactions are considered to be in the normal course of operations. Included in accounts payable and accrued salaries and benefits is $4.9 million (2004: $4.7 million) due to the Province of British Columbia.

14. COMMITMENTS

The corporation entered into a service agreement April 1, 2000 with the British Columbia Building Corporation to provide existing and future accommodation needs, with the term of the agreement extending to March 31, 2010. The estimated cost of building rental and accommodation services for the years ending March 31, 2006-2010 is $2.3 million per year.

15. FINANCIAL INSTRUMENTS

The corporation's financial instruments consist of cash, short-term investments, accounts receivable and accounts payable and accrued liabilities. It is management's opinion that the corporation is not exposed to significant risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values.

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